

**CLARKSVILLE
COMMUNITY SCHOOL DISTRICT**

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2006

TABLE OF CONTENTS

	<u>Page</u>
Officials	1
Independent Auditor's Report	2-3
Management's Discussion and Analysis	4-12
Basic Financial Statements:	<u>Exhibit</u>
Government-wide Financial Statements:	
Statement of Net Assets	A 13
Statement of Activities	B 14-15
Governmental Fund Financial Statements:	
Balance Sheet	C 16
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D 17
Statement of Revenues, Expenditures and Changes in Fund Balances	E 18-19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F 20
Proprietary Fund Financial Statements:	
Statement of Revenues, Expenses and Changes in Net Assets	G 21
Statement of Cash Flows	H 22
Fiduciary Fund Financial Statements:	
Statement of Fiduciary Net Assets	I 23
Statement of Changes in Fiduciary Net Assets	J 24
Notes to Financial Statements	25-31
Required Supplementary Information:	
Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund	32
Notes to Required Supplementary Information - Budgetary Reporting	33
Other Supplementary Information:	<u>Schedule</u>
Nonmajor Special Revenue Funds:	
Combining Balance Sheet	1 34
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2 35
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3 36
Schedule of Changes in Private Purpose Trusts	4 37
Comparison of Taxes and Intergovernmental Funds	5 38
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	39-40
Schedule of Findings	41-42

CLARKSVILLE COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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BOARD OF EDUCATION

(Before September, 2005 Election)

Paul Leerhoff	President	2005
Kurt Wedeking	Vice President	2007
Chris Fenneman		2006
Joe Wedeking Jr.		2006
Joyce Freese		2007

(After September, 2005 Election)

Paul Leerhoff	President	2008
Kurt Wedeking	Vice President	2007
Chris Fenneman		2006
Joe Wedeking Jr.		2006
Joyce Freese		2007

SCHOOL OFFICIALS

Randall Nichols	Superintendent
Shellee Bartlett	District Secretary/ Treasurer

Independent Auditor's Report

To The Board of Education of the
Clarksville Community School District:

We have audited the accompanying financial statements of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of Clarksville Community School District, Clarksville, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of Clarksville Community School District as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated October 11, 2006 on our consideration of Clarksville Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 32 through 33 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Clarksville Community School District's basic financial statements. We previously audited in accordance with the standards referred to in the second paragraph of this report. The financial statements for the three years ended June 30, 2005 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information, has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BRUCE D. FRINK
Certified Public Accountant

October 11, 2006

CLARKSVILLE COMMUNITY SCHOOL DISTRICT

Management's Discussion and Analysis

Clarksville Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

The District is in its second year of implementing new reporting standards for each fiscal year. Because of the significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the District's financial position and results of operations.

2006 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$2,773,005 in fiscal year 2005 to \$2,830,485 in fiscal year 2006, while General Fund expenditures increased from \$2,946,428 in fiscal year 2005 to \$2,954,261 in fiscal year 2006. The District's General Fund balance increased from \$150,501 in fiscal year 2005 to \$241,439 in fiscal year 2006.
- The District continued repayment of state aid funding as part of its 5-year workout plan for enrollment miscounts in the September 1999 and September 2000 Certified Enrollments. For fiscal 2005, the amount of this repayment was \$28,570.
- The District finished a renovation project of the 1951 wing, with a total cost of \$306,022. The district received \$164,500 federal Iowa Demonstration Construction grant and Fire Life Safety Grant.
- The District received \$159,138 in revenues from the School Infrastructure Local Option Sales Tax, a program approved by Butler County voters in February 2004. The District used a \$125,405 of these funds to reduce property tax levies in the debt service fund for the bond payment.
- The District's Certified Enrollment increased from 335.5 students in September 2004 to 350.5 students in September 2005.
- The District's unspent balance increased by \$280,459 for the conversion to GAAP and \$73,965 for on time funding for increase in enrollment.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: management's discussion and analysis (this section), the general purpose financial statements and required supplementary information.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Clarksville Community School District

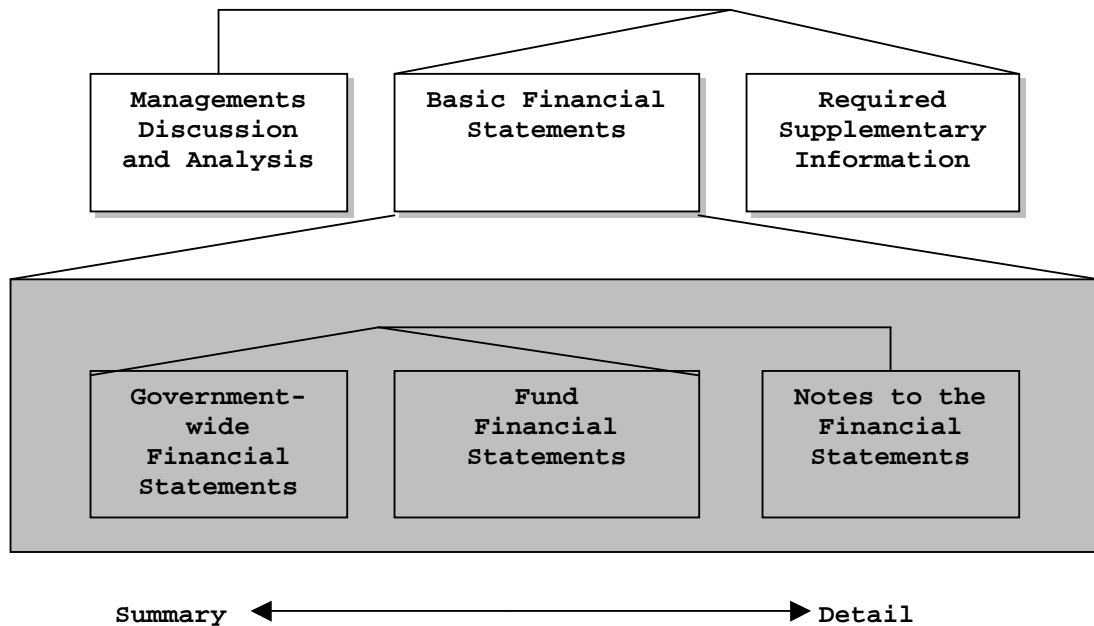


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain the remainder of this overview section of the management discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses; food services and adult education	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets - the difference between the District's assets and liabilities - are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- **Governmental activities:** Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid, finance most of these activities.
- **Business type activities:** The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) **Governmental funds:** Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Capital Projects Fund and Debt Service Fund. Most of the District's basic services are included here, such as regular education, special education, building and grounds maintenance, transportation, and administration. Most of these activities are funded with property taxes and state aid finance.

- 2) **Proprietary funds:** Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trusts.

- Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2006 compared to June 30, 2005.

Figure A-3
Condensed Statement of Net Assets
(Expressed in Thousands)

	Governmental Activities		Business-type Activities		Total School District		Percentage Change
	June 30,		June 30,		June 30,		June 30,
	2006	2005	2006	2005	2006	2005	2005-2006
	\$	\$	\$	\$	\$	\$	
Current assets	1,779	1,617	27	12	1,806	1,629	10.87%
Capital assets	2,024	1,896	4	4	2,028	1,900	6.74%
Total assets	3,803	3,513	31	16	3,834	3,529	8.64%
Current liabilities	1,340	1,123	3	1	1,343	1,124	19.48%
Non-current liabilities	474	618	-	-	474	618	-23.30%
Total liabilities	1,814	1,741	3	1	1,817	1,742	4.31%
Net Assets							
Invested in capital assets, net of related debt	1,550	1,278	4	4	1,554	1,282	21.22%
Restricted	272	178	-	-	272	178	52.81%
Unrestricted	167	316	24	11	191	327	-41.59%
Total net assets	1,989	1,772	28	15	2,017	1,787	12.87%

Unrestricted net assets decreased over 40% primarily due to General Fund revenues not keeping pace with expenses.

Figure A-4 shows the changes in net assets for the year ended June 30, 2006.

Figure A-4						
Change in Net Assets						
(Expressed in Thousands)						
	Governmental Activities		Business-type Activities		Total School District	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
	\$	\$	\$	\$	\$	\$
Revenues:						
Program revenues:						
Charges for service and sales	142	102	88	86	230	188
Operating grants, contributions and restricted interest	530	482	84	59	614	541
Capital grants, contributions and restricted interest	165	-	-	-	165	-
General revenues:						
Property tax	1,077	1,058	-	-	1,077	1,058
Income surtax	164	257	-	-	164	257
Local option sales tax	159	159	-	-	159	159
Unrestricted state grants	1,288	1,334	-	-	1,288	1,334
Unrestricted investment earnings	11	10	-	-	11	10
Other	7	8	-	-	7	8
Total revenues	<u>3,543</u>	<u>3,410</u>	<u>172</u>	<u>145</u>	<u>3,715</u>	<u>3,555</u>
Program expenses:						
Governmental activities:						
Instruction	2,294	2,200	-	-	2,294	2,200
Support Services	740	764	-	-	740	764
Non-instructional programs	1	2	159	137	160	139
Other expenses	290	238	-	-	290	238
Total expenses	<u>3,325</u>	<u>3,204</u>	<u>159</u>	<u>137</u>	<u>3,484</u>	<u>3,341</u>
Change in net assets	<u>218</u>	<u>206</u>	<u>13</u>	<u>8</u>	<u>231</u>	<u>214</u>

Property tax and unrestricted state grants account for 64% of the total revenue. The District's expenses primarily related to instruction and support services, which account for 87% of the total expenses.

GOVERNMENTAL ACTIVITIES

Revenues for governmental activities were \$3,543,118 and expenses were \$3,324,993.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5				
Total and Net Cost of Governmental Activities				
(Expressed in Thousands)				
	Total Cost of Services		Net Cost of Services	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
	\$	\$	\$	\$
Instruction	2,294	2,200	1,798	1,748
Support Services	740	764	719	745
Non-instructional programs	1	2	1	2
Other expenses	<u>290</u>	<u>238</u>	<u>(30)</u>	<u>125</u>
Totals	<u>3,325</u>	<u>3,204</u>	<u>2,488</u>	<u>2,620</u>

- The cost financed by users of the District's programs was \$141,582.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$545,330.
- The net cost of governmental activities was financed with \$1,076,665 in property tax, \$1,287,862 in state foundation aid, and \$11,649 in interest income.

PROPRIETARY-TYPE FUNDS

Revenues for the District's School Nutrition Fund were \$171,917 and expenses were \$158,603. The revenues include charges for services, contributions, and federal and state reimbursements.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The Clarksville Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the fiscal year, its governmental funds reported a combined fund balance of \$1,989,233, which is 12.32% greater than last year's ending fund balance of \$1,771,108.

GOVERNMENTAL FUND HIGHLIGHTS

Several factors contributed to the decrease of the fund balance in the District's governmental funds. Some of these factors were unexpected; some were deliberately planned.

- The District received revenues of \$159,138 from the School Infrastructure Local Option Sales Tax, a new program passed by Butler county voters in February 2004.
- The District continued its repayment of state aid for the enrollment miscount of students on the Certified Enrollments in September 1999 and September 2000, resulting in a reduction of \$28,570 on General Fund revenues.
- To lower property tax levies, the District used \$125,405 of the School Infrastructure Local Option Sales Tax for Debt Service Fund.

PROPRIETARY FUND HIGHLIGHTS

School Nutrition Fund net assets increased from \$15,072 at June 30, 2005 to \$31,518 at June 30, 2006.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures.

It is the District's practice, as is in most Iowa school district, to budget expenditures at or about the maximum authorized spending. As a result, the District's certified budget should always exceed the actual expenditures for the year.

CAPITAL ASSETS

The District has invested more than \$3.9 million by the end of fiscal year 2006 in a broad range of capital assets, including school buildings, athletic facilities, kitchen, computers and audio-visual equipment, maintenance equipment, school buses and other vehicles, library holdings, and textbooks. Total depreciation expenses for the year exceeded \$96,825.

Figure A-6
Condensed Statement of Net Assets
(expressed in thousands)

	Governmental Activities		Business-type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2006	2005	2006	2005	2006	2005	2005-2006
	\$	\$	\$	\$	\$	\$	
Land	10	10	-	-	10	10	0.00%
Land improvements	9	10	-	-	9	10	-10.00%
Buildings	1,936	1,767	-	-	1,936	1,767	9.56%
Furniture and equipment	70	73	4	6	74	79	-6.33%
Construction in progress	-	73	-	-	-	73	-100.00%
Totals	<u>2,025</u>	<u>1,933</u>	<u>4</u>	<u>6</u>	<u>2,029</u>	<u>1,939</u>	<u>4.64%</u>

LONG-TERM DEBT

The District had \$470,000 in general obligation, revenue and other long-term debt outstanding June 30, 2006. This represents a decrease of \$140,000 from last year.

The District had total outstanding bonded indebtedness on June 30, 2006, of \$470,000. The principal and interest on the bonds will be paid in full by June 1, 2009. The District makes principal and interest payments annually on these bonds using property tax dollars obtained through a debt service levy specifically for these bonds.

FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could significantly affect its financial health in the future:

- The District projects that its enrollment will be stable over the next five years. Birth rates in Clarksville District have been consistent for the past fifteen years. The District's enrollment increased by 9.3 students from September 2005 to September 2006.

- To offset the impact of declining enrollment, the State has provided a budget guarantee provision for districts. This budget guarantee provision is being phased out over a 10-year period. The District was on budget guarantee for fiscal 2006 and will continue to be on budget guarantee for several years to come. The phase out will reduce the District's revenues by \$34,852 in fiscal year 2007. Due to previous and continued declining enrollment, the amount of this reduction due to the phase out of the budget guarantee will likely grow over the several years.
- The District received a reduction in health insurance premium rates for fiscal year 2006 of approximately 21% compared to rates paid in fiscal year 2005.
- The District will continue to make repayments of state aid for the Certified Enrollment miscounts in September 1999 and September 2000 in fiscal year 2007. The amount of the repayment will be \$28,570.
- In June 2009, the District will complete its payment of its bonded indebtedness for the high school gymnasium additions. This will eliminate the need for the Debt Service Levy.
- The District will continue to be required to comply with unfunded and under funded mandates from the federal and state governments such as the federal "No Child Left Behind Act" and the state "Student Achievement and Teacher Quality Initiative". This will require the District to find ways to provide services in the areas of assessment and professional development, which will divert funds from other student service areas.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Shellee Bartlett, District Secretary/Treasurer and Business Manager, Clarksville Community School District, 318 N Mather, Clarksville, Iowa 50619.

Basic Financial Statements

CLARKSVILLE COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2006

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash	379,768	17,170	396,938
Receivables:			
Property tax:			
Current year	21,523	-	21,523
Succeeding year	1,123,724	-	1,123,724
Income surtax - succeeding year	145,657	-	145,657
Due from other governments	85,520	-	85,520
Other receivables	22,810	3,822	26,632
Inventories	-	6,251	6,251
Capital assets, net of accumulated depreciation	2,024,473	4,275	2,028,748
Total assets	3,803,475	31,518	3,834,993
Liabilities			
Accounts payable	214,709	3,132	217,841
Accrued interest payable	1,809	-	1,809
Deferred revenue:			
Succeeding year property tax	1,123,724	-	1,123,724
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	150,000	-	150,000
Van loan payable	4,000	-	4,000
Portion due after one year:			
General obligation bonds payable	320,000	-	320,000
Total liabilities	1,814,242	3,132	1,817,374
Net assets			
Invested in capital assets, net of related debt	1,550,473	4,275	1,554,748
Restricted for:			
Management levy	16,477	-	16,477
Physical plant and equipment levy	58,313	-	58,313
Debt service	1,160	-	1,160
Capital projects	196,131	-	196,131
Unrestricted	166,679	24,111	190,790
Total net assets	1,989,233	28,386	2,017,619

See notes to financial statements.

CLARKSVILLE COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2006

	Program Revenues						Total
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grant, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	
	\$	\$	\$	\$	\$	\$	\$
<u>Functions/Programs</u>							
Governmental activities:							
Instruction:	<u>2,293,561</u>	<u>124,890</u>	<u>371,112</u>	<u>-</u>	<u>(1,797,559)</u>	<u>-</u>	<u>(1,797,559)</u>
Support services:							
Student services	1,237	-	-	-	(1,237)	-	(1,237)
Instructional staff services	91,556	-	-	-	(91,556)	-	(91,556)
Administration services	335,300	-	-	-	(335,300)	-	(335,300)
Operation and maintenance of plant services	229,080	-	4,512	-	(224,568)	-	(224,568)
Transportation services	<u>83,028</u>	<u>16,692</u>	<u>-</u>	<u>-</u>	<u>(66,336)</u>	<u>-</u>	<u>(66,336)</u>
	<u>740,201</u>	<u>16,692</u>	<u>4,512</u>	<u>-</u>	<u>(718,997)</u>	<u>-</u>	<u>(718,997)</u>
Non-instructional programs:							
Food service operations	<u>1,495</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,495)</u>	<u>-</u>	<u>(1,495)</u>
Other expenditures:							
AEA flowthrough	109,443	-	109,443	-	-	-	-
Long-term debt interest	27,485	-	536	-	(26,949)	-	(26,949)
Facilities acquisition and construction	64,817	-	44,945	164,500	144,628	-	144,628
Depreciation (unallocated)*	<u>87,991</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(87,991)</u>	<u>-</u>	<u>(87,991)</u>
	<u>289,736</u>	<u>-</u>	<u>154,924</u>	<u>164,500</u>	<u>29,688</u>	<u>-</u>	<u>29,688</u>
Total governmental activities	3,324,993	141,582	530,548	164,500	(2,488,363)	-	(2,488,363)

CLARKSVILLE COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2006

	Program Revenues						
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grant, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
	\$	\$	\$		\$	\$	\$
Business Type activities:							
Non-instructional programs:							
Nutrition services	158,603	88,312	83,605	-	-	13,314	13,314
Total	<u>3,483,596</u>	<u>229,894</u>	<u>614,153</u>	<u>164,500</u>	<u>(2,488,363)</u>	<u>13,314</u>	<u>(2,475,049)</u>
General revenues:							
Property tax levied for:							
General purposes					944,553	-	944,553
Management levy					58,082	-	58,082
Debt service					43,471	-	43,471
Capital outlay					30,559	-	30,559
Income surtax:							
General purposes					75,020	-	75,020
Capital outlay					88,927	-	88,927
School infrastructure local option sales tax					159,138		159,138
Unrestricted state grants					1,287,862	-	1,287,862
Unrestricted investment earnings					11,649	-	11,649
Other					7,227	-	7,227
Total general revenue					<u>2,706,488</u>	<u>-</u>	<u>2,706,488</u>
Change in net assets					218,125	13,314	231,439
Net assets beginning of year					<u>1,771,108</u>	<u>15,072</u>	<u>1,786,180</u>
Net assets end of year					<u>1,989,233</u>	<u>28,386</u>	<u>2,017,619</u>

* This amount excludes the depreciation that is included in the direct expenses of the various programs.

See notes to financial statements.

CLARKSVILLE COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2006

	General	Capital Projects	Debt Service	Nonmajor Special Revenue	Total
	\$	\$	\$	\$	\$
Assets					
Cash	184,593	125,759	2,100	67,316	379,768
Receivables:					
Property tax:					
Current year	18,882	-	869	1,772	21,523
Succeeding year	1,013,406	-	12,110	98,208	1,123,724
Income surtax - succeeding year	97,105	-	-	48,552	145,657
Due from other governments	15,148	70,372	-	-	85,520
Other receivables	22,810	-	-	-	22,810
Total assets	<u>1,351,944</u>	<u>196,131</u>	<u>15,079</u>	<u>215,848</u>	<u>1,779,002</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	214,709	-	-	-	214,709
Deferred revenue:					
Succeeding year property tax	1,013,406	-	12,110	98,208	1,123,724
Succeeding year income surtax	97,105	-	-	48,552	145,657
Total liabilities	<u>1,325,220</u>	<u>-</u>	<u>12,110</u>	<u>146,760</u>	<u>1,484,090</u>
Fund balances:					
Reserved for debt service	-	-	2,969	-	2,969
Reserved for capital projects	-	196,131	-	-	196,131
Unreserved	26,724	-	-	69,088	95,812
Total fund balances	<u>26,724</u>	<u>196,131</u>	<u>2,969</u>	<u>69,088</u>	<u>294,912</u>
Total liabilities and fund balances	<u>1,351,944</u>	<u>196,131</u>	<u>15,079</u>	<u>215,848</u>	<u>1,779,002</u>

See notes to financial statements.

CLARKSVILLE COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets

June 30, 2006

Total fund balances of governmental funds (Exhibit C)		\$ 294,912
Amounts reported for governmental activities in the statement of net assets are different because:		
Income surtax receivable at June 30, 2006 is not recognized as income until received in the governmental funds, however it is shown as a revenue in the Statement of Net Assets.		145,657
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		2,024,473
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(1,809)
Long-term liabilities, including bonds, are not due and payable in the current period and, therefore, are not reported in the funds.		
General obligation bonds	(470,000)	
Van notes payable	(4,000)	(474,000)
Net assets of governmental activities (Exhibit A)		<u>\$ 1,989,233</u>

See notes to financial statements.

CLARKSVILLE COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Fund Types

Year ended June 30, 2006

	General	Capital Projects	Debt Service	Nonmajor Special Revenue	Total
	\$	\$	\$	\$	\$
Revenues:					
Local sources					
Local tax	1,000,152	159,138	43,471	177,568	1,380,329
Tuition	95,152	-	-	-	95,152
Other	66,626	44,945	490	102,963	215,024
State sources	1,543,913	-	46	92	1,544,051
Federal sources	124,641	-	-	164,500	289,141
Total revenues	<u>2,830,484</u>	<u>204,083</u>	<u>44,007</u>	<u>445,123</u>	<u>3,523,697</u>
Expenditures:					
Current:					
Instruction	<u>2,186,506</u>	<u>-</u>	<u>-</u>	<u>107,055</u>	<u>2,293,561</u>
Support services:					
Student services	1,237	-	-	-	1,237
Instructional staff services	55,340	-	-	36,216	91,556
Administration services	328,147	-	-	7,153	335,300
Operation and maintenance of plant services	202,656	-	-	59,990	262,646
Transportation services	<u>70,932</u>	<u>-</u>	<u>-</u>	<u>4,911</u>	<u>75,843</u>
	<u>658,312</u>	<u>-</u>	<u>-</u>	<u>108,270</u>	<u>766,582</u>
Non-instructional programs:					
Food service operations	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,495</u>	<u>1,495</u>

CLARKSVILLE COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Fund Types

Year ended June 30, 2006

	General	Capital Projects	Debt Service	Nonmajor Special Revenue	Total
	\$	\$	\$	\$	\$
Other expenditures:					
AEA flowthrough	109,443	-	-	-	109,443
Long-term debt:					
Principal	-	-	144,000	-	144,000
Interest	-	-	28,010	-	28,010
Facilities acquisition and construction	-	-	-	255,319	255,319
	<u>109,443</u>	<u>-</u>	<u>172,010</u>	<u>255,319</u>	<u>536,772</u>
 Total expenditures	 <u>2,954,261</u>	 <u>-</u>	 <u>172,010</u>	 <u>472,139</u>	 <u>3,598,410</u>
 Excess (deficiency) of revenues over (under) expenditures	 <u>(123,777)</u>	 <u>204,083</u>	 <u>(128,003)</u>	 <u>(27,016)</u>	 <u>(74,713)</u>
 Other financing sources(uses):					
Operating transfers in	-	-	128,905	-	128,905
Operating transfers out	<u>-</u>	<u>(124,905)</u>	<u>-</u>	<u>(4,000)</u>	<u>(128,905)</u>
	<u>-</u>	<u>(124,905)</u>	<u>128,905</u>	<u>(4,000)</u>	<u>-</u>
 Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	 (123,777)	 79,178	 902	 (31,016)	 (74,713)
 Fund balances beginning of year	 <u>150,501</u>	 <u>116,953</u>	 <u>2,067</u>	 <u>100,104</u>	 <u>369,625</u>
 Fund balances end of year	 <u>26,724</u>	 <u>196,131</u>	 <u>2,969</u>	 <u>69,088</u>	 <u>294,912</u>

See notes to financial statements.

CLARKSVILLE COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities

Year ended June 30, 2006

Net change in fund balances - total governmental funds (Exhibit E) \$ (74,713)

**Amounts reported for governmental activities in the
statement of activities are different because:**

Income surtax receivable at June 30, 2005 is not recognized as income until received in the governmental funds, however it is shown as a revenue in the Statement of Activities. 19,421

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	224,068
Depreciation expense	(95,176)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 144,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 525

Change in net assets of governmental activities (Exhibit B) \$ 218,125

See notes to financial statements.

CLARKSVILLE COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Fund

Year ended June 30, 2006

	School Nutrition
	<u>\$</u>
Operating revenue:	
Local sources:	
Charges for services	<u>88,312</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	59,929
Benefits	7,424
Services	2,035
Supplies	87,566
Depreciation	<u>1,649</u>
Total operating expenses	<u>158,603</u>
Operating (loss)	<u>(70,291)</u>
Non-operating revenues:	
State sources	2,047
Federal sources	81,221
Interest income	<u>337</u>
	<u>83,605</u>
Changes in net assets	13,314
Net assets beginning of year	<u>15,072</u>
Net assets end of year	<u><u>28,386</u></u>

See notes to financial statements.

CLARKSVILLE COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2006

	School Nutrition
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	84,758
Cash payments to employees for services	(67,353)
Cash payments to suppliers for goods or services	<u>(79,589)</u>
Net cash (used in) operating activities	<u>(62,184)</u>
Cash flows from non-capital financing activities:	
State grants received	2,047
Federal grants received	<u>69,535</u>
Net cash provided by non-capital financing activities	<u>71,582</u>
Cash flows from capital financing activities:	
Acquisition of capital assets	(2,346)
Cash flows from investing activities:	
Interest on investments	<u>337</u>
Net (increase) in cash and cash equivalents	7,389
Cash and cash equivalents beginning of year	<u>9,781</u>
Cash and cash equivalents end of year	<u><u>17,170</u></u>
Reconciliation of operating income (loss) to net cash used in operating activities:	
Operating (loss)	(70,291)
Adjustments to reconcile operating profit (loss) to net cash provided by (used in) operating activities:	
Depreciation	1,649
Commodities used	11,686
(Increase) in other receivables	(3,554)
(Increase) in inventory	(3,403)
Increase in accounts payable	<u>1,729</u>
	<u>(62,184)</u>
Reconciliation of cash and cash equivalents at year end to specific assets included on Combined Balance Sheet:	
Current assets:	
Cash	<u><u>17,170</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2006, the District received federal commodities valued at \$11,686.

See notes to financial statements.

CLARKSVILLE COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2006

	Private Purpose Trusts
	<u>Scholarships</u>
	\$
Assets	
Cash	<u>58,956</u>
Total assets	<u>58,956</u>
Net Assets	
Reserved for scholarships	<u>58,956</u>
Total net assets	<u><u>58,956</u></u>

See notes to financial statements.

CLARKSVILLE COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2006

	Private Purpose Trusts <u>Scholarships</u>
	\$
Additions:	
Local sources:	
Miscellaneous	<u>3,591</u>
Total additions	<u>3,591</u>
Deductions:	
Support services:	
Scholarships	<u>3,300</u>
Total deductions	<u>3,300</u>
Change in net assets	291
Net assets beginning of year	<u>58,665</u>
Net assets end of year	<u><u>58,956</u></u>

See notes to financial statements.

CLARKSVILLE COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2006

(1) Summary of Significant Accounting Policies

Clarksville Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors summer recreational activities. The geographic area served includes the City of Clarksville, Iowa, and agricultural area in Butler County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Clarksville Community School District has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Clarksville Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Butler County Assessor Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Debt Service Fund is used to account for the payment of interest and principal on the District's long-term debt.

The Capital Projects Fund is used to account for funds raised by the one cent School Infrastructure Local Option Sales Tax. These funds are being used for debt retirement and infrastructure expenses.

The District reports the following major proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Funds are used to account for assets held by the District under trust agreements which require income earned to be used for scholarship payments.

C. Measurement Focus and Basis of Accounting

The government-wide and the proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected with 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financial sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sale and services. Operating expenses for Enterprise Funds include the cost of sale and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statement of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are invested. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking the budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2005.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa and grants from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and for government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 1,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	10,000
Other furniture and equipment	10,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulated a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability is deemed to be immaterial at June 30, 2006.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2006 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments at June 30, 2006.

(3) **Capital Assets**

Capital assets activity for the year ended June 30, 2006 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Land	<u>\$ 9,505</u>	<u>-</u>	<u>-</u>	<u>9,505</u>
Capital assets being depreciated:				
Land improvements	50,557	-	-	50,557
Buildings	3,419,373	226,685	-	3,646,058
Machinery and equipment	388,893	33,566	15,452	407,007
Construction in progress	<u>36,183</u>	<u>-</u>	<u>36,183</u>	<u>-</u>
Total capital assets being depreciated	<u>3,895,006</u>	<u>260,251</u>	<u>51,635</u>	<u>4,103,622</u>
Less accumulated depreciation for:				
Land improvements	40,651	989	-	41,640
Buildings	1,652,151	72,921	15,452	1,709,620
Machinery and equipment	<u>316,128</u>	<u>21,266</u>	<u>-</u>	<u>337,394</u>
Total accumulated depreciation	<u>2,008,930</u>	<u>95,176</u>	<u>15,452</u>	<u>2,088,654</u>
Total capital assets being depreciated, net	<u>1,886,076</u>	<u>165,075</u>	<u>36,183</u>	<u>2,014,968</u>
Governmental activities, capital assets, net	<u>1,895,581</u>	<u>165,075</u>	<u>36,183</u>	<u>2,024,473</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Business type activities:				
Furniture and equipment	32,346	2,346	-	34,692
Less accumulated depreciation	28,768	1,649	-	30,417
Business type activities capital assets, net	<u>\$ 3,578</u>	<u>697</u>	<u>-</u>	<u>4,275</u>

Depreciation expense was charged to the following functions:

Governmental activities:

Support services:

Transportation

Unallocated

7,185
87,991
\$ 95,176

Business Type activities:

Food service operations

\$ 1,649

(4) Bonds Payable

Details of the District's June 30, 2006 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2007	4.55%	\$150,000	21,710	171,710
2008	4.60	155,000	14,885	169,885
2009	4.70	<u>165,000</u>	<u>7,755</u>	<u>172,755</u>
Total		<u>\$470,000</u>	<u>44,350</u>	<u>514,350</u>

(5) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$109,443 for year ended June 30, 2006 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(6) Risk Management

Clarksville Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(7) Changes in Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2006 are summarized as follows:

	<u>General Obligation Bonds</u>	<u>Van Note Payable</u>	<u>Total</u>
Balance beginning of year	\$610,000	8,000	618,000
Additions	-	-	-
Reductions	<u>140,000</u>	<u>4,000</u>	<u>144,000</u>
Balance end of year	<u>\$470,000</u>	<u>4,000</u>	<u>474,000</u>

(8) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2006, 2005, and 2004 were \$93,903, \$91,345, and \$84,329 respectively, equal to the required contributions for each year.

(9) Van Note Payable

The District purchased a 2001 Ford Van during the year ending June 30, 2002. The amount borrowed was \$20,000 and will be paid in 5 equal installments of \$4,000. The first payment was made in fiscal 2003. There is no interest due on this obligation.

(10) Interfund Transfers

The detail of Interfund transfers for the year ended June 30, 2006 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$124,905
	Special Revenue:	
	Physical Plant and Equipment Levy	<u>4,000</u>
		<u>\$128,905</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

Required Supplementary Information

CLARKSVILLE COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2006

	Governmental Fund Types	Proprietary Fund Type	Total	Budgeted Amounts		Final to Actual
	Actual	Actual	Actual	Original	Final	Variance -
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	1,690,505	88,649	1,779,154	1,695,844	1,695,844	83,310
State sources	1,544,051	2,047	1,546,098	1,554,550	1,554,550	(8,452)
Federal sources	289,141	81,221	370,362	296,000	296,000	74,362
Total revenues	<u>3,523,697</u>	<u>171,917</u>	<u>3,695,614</u>	<u>3,546,394</u>	<u>3,546,394</u>	<u>149,220</u>
Expenditures:						
Instruction	2,293,561	-	2,293,561	2,314,515	2,400,000	106,439
Support services	766,582	-	766,582	750,150	775,000	8,418
Non-instructional programs	1,495	158,603	160,098	168,000	168,000	7,902
Other expenditures	536,772	-	536,772	457,188	550,000	13,228
Total expenditures	<u>3,598,410</u>	<u>158,603</u>	<u>3,757,013</u>	<u>3,689,853</u>	<u>3,893,000</u>	<u>135,987</u>
Excess (deficiency) of revenues over (under) expenditures	(74,713)	13,314	(61,399)	(143,459)	(346,606)	285,207
Other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(74,713)	13,314	(61,399)	(143,459)	(346,606)	285,207
Balance beginning of year	<u>369,625</u>	<u>15,072</u>	<u>384,697</u>	<u>532,860</u>	<u>581,184</u>	<u>(196,487)</u>
Balance end of year	<u>294,912</u>	<u>28,386</u>	<u>323,298</u>	<u>389,401</u>	<u>234,578</u>	<u>88,720</u>

See accompanying independent auditor's report.

CLARKSVILLE COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2006

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted disbursements by \$203,147.

During the year ended June 30, 2006, expenditures did not exceed the amount budgeted in any of the four functions. The District did not exceed the General Fund unspent authorized budget.

Other Supplementary Information

CLARKSVILLE COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Special Revenue Funds

June 30, 2006

	Management	Student Activity	Physical Plant and Equipment Levy	Total
	\$	\$	\$	\$
Assets				
Cash	15,316	42,850	9,150	67,316
Property tax receivable:				
Current year	1,161	-	611	1,772
Succeeding year	70,000	-	28,208	98,208
Income surtax	-	-	48,552	48,552
Total assets	<u>86,477</u>	<u>42,850</u>	<u>86,521</u>	<u>215,848</u>
Liabilities and Fund Balances				
Liabilities:				
Deferred revenue:				
Succeeding year property tax	70,000	-	28,208	98,208
Succeeding year income surtax	-	-	48,552	48,552
	<u>70,000</u>	<u>-</u>	<u>76,760</u>	<u>146,760</u>
Unreserved fund balances	<u>16,477</u>	<u>42,850</u>	<u>9,761</u>	<u>69,088</u>
Total liabilities and fund balances	<u>86,477</u>	<u>42,850</u>	<u>86,521</u>	<u>215,848</u>

See accompanying independent auditor's report.

CLARKSVILLE COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Special Revenue Funds

Year ended June 30, 2006

	Management	Student	Physical Plant and Equipment Levy	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	58,082	-	119,486	177,568
Other	3,241	98,543	1,179	102,963
State sources	60	-	32	92
Federal sources	-	-	164,500	164,500
Total revenues	<u>61,383</u>	<u>98,543</u>	<u>285,197</u>	<u>445,123</u>
Expenditures:				
Instruction:	12,053	95,002	-	107,055
Support services:				
Instructional support services	-	-	36,216	36,216
Administration services	7,153	-	-	7,153
Plant operation and maintenance	33,447	-	26,543	59,990
Student transportation	4,911	-	-	4,911
Non-instructional programs:				
Food service operations	1,495	-	-	1,495
Other expenditures:				
Facility acquisition and construction services	-	-	255,319	255,319
Total expenditures	<u>59,059</u>	<u>95,002</u>	<u>318,078</u>	<u>472,139</u>
Excess (deficiency) of revenues over (under) expenditures	2,324	3,541	(32,881)	(27,016)
Other financing (uses):				
Operating transfers out	-	-	(4,000)	(4,000)
Excess (deficiency) of revenues over (under) expenditures and financing uses	2,324	3,541	(36,881)	(31,016)
Fund balances beginning of year	<u>14,153</u>	<u>39,309</u>	<u>46,642</u>	<u>100,104</u>
Balance end of year	<u>16,477</u>	<u>42,850</u>	<u>9,761</u>	<u>69,088</u>

See accompanying independent auditor's report.

CLARKSVILLE COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2006

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
Interest	1,948	1,749	849	2,848
Athletics	1,558	43,720	44,568	710
Get a Grip	542	-	168	374
School Store	3,808	3,301	3,625	3,484
Jump Rope for Heart	134	-	-	134
Special Donations	4,656	341	3,640	1,357
JH Magazines	9,010	7,781	8,066	8,725
Elementary Projects	-	843	843	-
JH Student Council	546	43	-	589
SH Student Council	4,689	7,527	7,355	4,861
Cheerleaders	217	768	403	582
Instrumental Music	2,155	930	1,388	1,697
Vocal Music	366	2,537	1,866	1,037
Drill Team	699	540	1,218	21
National Honor Society	1,555	997	827	1,725
Spanish Club	1,539	5,190	2,719	4,010
Drama/Speech	1,172	1,522	1,709	985
Yearbook	703	5,969	3,423	3,249
Home Economics	508	457	456	509
Industrial Technology	-	528	268	260
Senior Class	1,056	2,548	888	2,716
Junior Class	314	9,501	9,489	326
Sophomore Class	267	52	-	319
Freshman Class	74	81	-	155
8th Grade Class	28	-	28	-
7th Grade Class	-	-	-	-
Special Clearing	-	716	716	-
Recycling Project	1,649	902	490	2,061
JH Math	116	-	-	116
Total	39,309	98,543	95,002	42,850

See accompanying independent auditor's report.

CLARKSVILLE COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Private Purpose Trusts

Year ended June 30, 2006

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
Asher Scholarship	12,464	512	500	12,476
Weinberg Scholarship	36,400	1,477	2,000	35,877
Winkey Scholarship	6,907	284	300	6,891
Eslinger Scholarship	2,894	313	500	2,707
Herrera Scholarship	-	1,005	-	1,005
	<u>-</u>	<u>1,005</u>	<u>-</u>	<u>1,005</u>
Total	<u>58,665</u>	<u>3,591</u>	<u>3,300</u>	<u>58,956</u>

See accompanying independent auditor's report.

CLARKSVILLE COMMUNITY SCHOOL DISTRICT

Comparison of Taxes and Intergovernmental Funds

	Modified Accrual Basis			
	2006	2005	2004	2003
	\$	\$	\$	\$
Local sources:				
General	1,000,152	936,709	1,022,619	976,711
Capital projects	159,138	158,576	-	-
Special revenue/debt service	221,039	252,030	280,265	192,274
	<u>1,380,329</u>	<u>1,347,315</u>	<u>1,302,884</u>	<u>1,168,985</u>
State sources:				
General	1,543,913	1,569,857	1,473,963	1,555,865
Special revenue/debt service	138	192	214	207
School nutrition	2,047	1,948	2,113	2,194
	<u>1,546,098</u>	<u>1,571,997</u>	<u>1,476,290</u>	<u>1,558,266</u>
Federal sources:				
General	124,641	124,031	133,763	125,537
Special revenue	164,500	-	113,750	-
School nutrition	81,221	57,258	64,640	60,791
	<u>370,362</u>	<u>181,289</u>	<u>312,153</u>	<u>186,328</u>
Total	<u><u>3,296,789</u></u>	<u><u>3,100,601</u></u>	<u><u>3,091,327</u></u>	<u><u>2,913,579</u></u>

See accompanying independent auditor's report.

**Independent Auditor's Report on Internal Control over Financial
Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards**

To the Board of Education of the
Clarksville Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Clarksville Community School District as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated October 11, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Clarksville Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item 06-I-A is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Clarksville Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Clarksville Community School District and other parties to whom Clarksville Community School District may report, including federal awarding agencies and pass through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Clarksville Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

BRUCE D. FRINK
Certified Public Accountant

October 11, 2006

CLARKSVILLE COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2006

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

06-I-A SEGREGATION OF DUTIES

Comment - During our review of the internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the District's financial statements. We noted that one individual has custody of receipts and performs all record-keeping and reconciling functions for the office.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review the operating procedures of the office to obtain the maximum internal control possible under the circumstances.

Response - We will review procedures and investigate available alternatives.

Conclusion - Response acknowledged.

Part II: Other Findings Related to Required Statutory Reporting:

- 06-II-A Official Depositories - Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2006.
- 06-II-B Certified Budget - Expenditures for the year ended June 30, 2006, did not exceed the amended certified budget amount in any of the four functions.
- 06-II-C Questionable Disbursements - We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- 06-II-D Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- 06-II-E Business Transactions - No business transactions between the District and District officials or employees were noted.
- 06-II-F Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- 06-II-G Board Minutes - We noted no transactions requiring Board approval which had not been approved by the Board.

CLARKSVILLE COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2006

Part II: Other Findings Related to Required Statutory Reporting:
(continued):

- 06-II-H Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- 06-II-I Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- 06-II-J Certified Enrollment - No variances in the basic enrollment data certified to the Department of Education were noted.